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FISCAL IMPACT STATEMENT

LS 6221

BILL NUMBER: SB 93

NOTE PREPARED: Jan 26, 2007

BILL AMENDED: Jan 25, 2007

SUBJECT: Health Facility Sprinklers for Fire Safety.

FIRST AUTHOR: Sen. Landske

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires certain health facilities to have: (1) automatic fire sprinkler systems; and (2) an automatic fire detection system; before July 1, 2012. The bill provides that if a system is not installed before July 1, 2010, a plan for completing installation must be submitted to the Health Facilities Council.

The bill also requires the State Department of Health, in the Department's Consumer Guide to Nursing Homes, to disclose whether each health facility has smoke detectors in its residents' rooms and to disclose certain information about the smoke detector systems in health facilities having those systems.

(The introduced version of this bill was prepared by the Interim Study Committee on Public Health and Safety Matters.)

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) The bill requires the Department to publish in the Consumer Guide to Nursing Homes information regarding the type and locations of the smoke detection system and the sprinkler system in each nursing facility until June 30, 2012. The sprinkler status of facilities is already included in the Consumer Guide; the Department has added the information as the facility surveys collect the data. The smoke detector status of each facility can be added as the annual facility surveys occur throughout the year. The Department reports that this requirement can be performed with existing resources.

(Revised) *General Background Information:* The bill would require facilities, not currently under a requirement to do so, to have automatic fire sprinkler systems installed throughout the facility by July 1,

2012. Current building requirements for nursing facilities require automatic fire sprinkler systems, so new construction would not be affected. The State Department of Health reports that of about 516 certified comprehensive care facilities in the state, there are currently 9 health facilities in Indiana that do not have automatic fire sprinkler systems. An additional 18 facilities are reported to be partially protected by sprinkler systems.

Comprehensive care units reported as partially sprinklered or do not have fire detection systems that are located in hospitals and licensed as hospital beds are not affected by the provisions of the bill. A freestanding comprehensive care facility that is owned by a hospital but licensed as a nursing facility would be required to comply with the provisions of the bill. There are five long-term care units that appear to be located in hospital facilities that are reported to be partially sprinklered. The status of these units with regard to the installation of fire detection systems is not known.

The State Department of Health reports that facilities are currently required to meet the standards that were in place when they were initially constructed or certified. Additionally, the Centers for Medicare and Medicaid Services (CMS) requirements have been revised to require that nursing facilities install battery-operated smoke detectors in resident rooms and public areas if they do not have an automatic sprinkler system or a hard-wired smoke detection system in those areas.

(Revised) *Fire Detection Systems*: Currently, facilities that are fully sprinklered are not required to have smoke detectors in patient rooms. The extent to which fully sprinklered nursing facilities in Indiana also have hardwired smoke detection systems that meet the specifications in the bill is not known. The federal Centers for Medicare and Medicaid Services (CMS) certification requirements have been revised to require that certified nursing facilities install battery-operated smoke detectors in resident rooms and public areas if they do not have an automatic sprinkler system or a hardwired smoke detection system in those areas. This requirement was effective in March 2006.

(Revised) *Medicaid Impact*: The estimated fiscal impact of requiring the installation of fire detection systems in all certified nursing facilities is estimated to be an annual total of \$339,340 in state and federal dollars. The state share of the additional expenditure would be approximately \$128,950 each year after 2012 due to the increased capital cost. If the installation of the fire detection system is assumed to occur evenly across the 5 years available, the state General Fund cost to Medicaid could be assumed to be \$25,800 in FY 2008 and \$51,600 in FY 2009. The Medicaid forecast for total state and federal nursing facility expenditures is \$873.1 M and \$924.9 M in FY 2008 and FY 2009, respectively.

This Medicaid estimate is based on 2005 rate information, a cost estimate of \$200 per bed, an assumption that all rooms are double occupancy, and an assumption that 25% of the Medicaid-certified beds are in facilities that currently have hardwired smoke detection systems. (The results of a survey that ISDH conducted of nursing facility beds in December 2006 indicated that 6,025 nursing facility rooms already have hardwired smoke detectors.) The survey results did not identify the Medicaid certification status of the rooms/beds. Additional information regarding the cost of system installation indicated costs could range from \$175 to \$400 per room, or \$87.50 to \$200 per bed (assuming 2 beds per room).

Indiana Veteran's Home: The Indiana Veteran's Home has 3 buildings used for nursing facility comprehensive care: Pyle Hall, McArthur Hall, and Mitchell Hall. All three buildings have sprinkler systems for fire suppression in hallways and public areas; currently, none of the buildings have sprinklers located in patient rooms.

Pyle Hall is currently closed for renovations to install or remediate primary air handler units in individual rooms and to abate mold and asbestos on floors 2 & 3. This project was approved by the Budget Committee in April 2006. In June 2006, the Budget Committee approved another piece of this renovation project; funding to install fire suppression sprinklers in every room. Hard-wired smoke detectors in individual patient rooms are also planned to be part of this project. The facility administrator reported that the Veterans Administration (VA) facility standards require the renovation to bring the building up to current building code requirements. Pyle Hall is scheduled to reopen in June 2007 with 50 single rooms.

McArthur Hall and Mitchell Hall, with capacity for approximately 120 and 140 patients respectively, are expected to qualify for VA grant funding to add fire suppression sprinkler systems in patient rooms during federal FY 2007. Estimated total cost of this project is \$495,000. VA funding of about 65%, or \$318,750, has been preliminarily approved for this project. The state will be required to contribute \$176,250. Currently, rooms in these buildings are reported to have hardwired smoke detectors, although the fire alarm system is 12 years old and due to be replaced as a part of this project.

If the proposed renovation schedule is maintained, the Indiana Veterans' Home should have the planned renovations completed within the 5-year deadline provided by the bill. Capital projects may be financed from a self-generating Building Fund which is funded by resident maintenance charges paid from Social Security and pensions as well as from VA per diem grant payments. The FY 2006 - FY 2007 Budget Bill appropriated \$1.25 M for National Fire Protection Association (NFPA) fire protection projects at the Veteran's Home from the Building Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Nursing facilities that are owned and operated by local units of government would be required to install before July 1, 2012, automatic fire detection systems throughout the facility as well as sprinkler systems if these systems are not currently in place. Of the facilities currently listed as being affected by the sprinkler system requirements of the bill, none are believed to be owned by local units of government. The extent to which nursing facilities owned by local units of government would be impacted by the requirement for the automatic fire detection system is not known.

Explanation of Local Revenues:

State Agencies Affected: Indiana State Department of Health; Office of Medicaid Policy and Planning of the Family and Social Services Administration.

Local Agencies Affected:

Information Sources: State Department of Health, and "State of Indiana List of Appropriations Made by the 2005 Indiana General Assembly for the Biennium July 1, 2005, to June 30, 2007", Indiana Veteran's Home Capital Budget Request Detail.

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